

Financial Report
Terrebonne Levee and Conservation District
Chauvin, Louisiana
June 30, 2001

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Terrebonne Levee and Conservation District

June 30, 2001

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FINANCIAL SECTION



Bourgeois Bennett

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners,
Terrebonne Levee and Conservation District,
Chauvin, Louisiana.

We have audited the accompanying general-purpose financial statements of the Terrebonne Levee and Conservation District (the District), as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Terrebonne Levee and Conservation District as of June 30, 2001, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2 to the financial statements, the District changed its accounting policy for the recognition of ad valorem tax revenues.

As described in Note 3, errors were discovered relating to the accounting for ad valorem tax revenues and state reimbursement grant revenues in the prior year. Accordingly, net assets at July 1, 2000 have been restated to correct those errors.

In accordance with Government Auditing Standards, we have also issued our report dated August 24, 2001 on our consideration of the Terrebonne Levee and Conservation District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Bourgeois Bennett, LLC.

Certified Public Accountants.

Houma, La.,
August 24, 2001.

**COMBINED BALANCE SHEET - GOVERNMENTAL FUND TYPE
AND ACCOUNT GROUPS**

Terrebonne Levee and Conservation District

June 30, 2001

	Governmental Fund Type General	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Assets				
Cash	\$ 3,106,212	\$ -	\$ -	\$ 3,106,212
Due from other governmental units	43,098	-	-	43,098
Receivables - taxes	119,023	-	-	119,023
Security deposits	305	-	-	305
Fixed assets	-	41,102,302	-	41,102,302
Other Debits				
Amount to be provided for retirement of general long-term obligations	-	-	43,407	43,407
Total assets and other debits	\$ 3,268,638	\$ 41,102,302	\$ 43,407	\$ 44,414,347
Liabilities				
Accounts payable and accrued expenditures	\$ 61,004		\$ -	\$ 61,004
Deferred revenues	908,218		-	908,218
Accrued compensated absences	-		43,407	43,407
Total liabilities	969,222		43,407	1,012,629
Equity and Other Credits				
Investment in general fixed assets	-	\$ 41,102,302		41,102,302
Fund balance - unreserved	2,299,416	-		2,299,416
Total equity and other credits	2,299,416	41,102,302		43,401,718
Total liabilities, equity and other credits	\$ 3,268,638	\$ 41,102,302	\$ 43,407	\$ 44,414,347

See notes to financial statements.

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE -
GOVERNMENTAL FUND TYPE - GENERAL FUND**

Terrebonne Levee and Conservation District

For the year ended June 30, 2001

Revenues	
Taxes	\$ 937,155
Intergovernmental:	
State of Louisiana:	
State revenue sharing	62,523
State reimbursement grants	81,809
Interest income	149,160
Miscellaneous - other	46,380
	<hr/>
Total revenues	1,277,027
	<hr/>
Expenditures	
Current:	
General Government:	
Ad valorem tax distributions to the	
Atchafalaya Basin Levee District	177,215
Ad valorem tax deductions	38,342
	<hr/>
Total general government	215,557
	<hr/>
Public Safety:	
Personal services:	
Salaries and related benefits	426,523
Supplies and materials:	
Office and shop supplies	10,177
Fuel for heavy equipment	10,352
Other services and charges:	
Professional services	100,481
Travel and meals	11,867
Insurance	50,663
Advertising and publication	3,831
Postage	2,351
Occupancy	9,200
Utilities	14,968
Telephone	12,729
Miscellaneous	12,646
Repairs and maintenance	68,409
Capital expenditures:	
Hurricane protection	447,154
General operations	9,709
	<hr/>
Total public safety	1,191,060
	<hr/>
Total expenditures	1,406,617
	<hr/>
Deficiency of Revenues Over Expenditures	(129,590)
	<hr/>
Fund Balance	
Beginning of year, as restated	2,429,006
	<hr/>
End of year	\$ 2,299,416
	<hr/>

See notes to financial statements.

**STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL -
GOVERNMENTAL FUND TYPE - GENERAL FUND**

Terrebonne Levee and Conservation District

For the year ended June 30, 2001

	<u>Budget</u>	<u>Budgetary Basis</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Taxes	\$ 1,764,282	\$ 1,821,192	\$ 56,910
Intergovernmental:			
State of Louisiana:			
State revenue sharing	125,047	125,047	-
State reimbursement grants	159,469	81,809	(77,660)
Interest income	140,702	149,160	8,458
Miscellaneous - other	44,474	46,380	1,906
Total revenues	<u>2,233,974</u>	<u>2,223,588</u>	<u>(10,386)</u>
Expenditures			
Current:			
General Government:			
Ad valorem tax distributions to the Atchafalaya Basin Levee District	177,215	177,215	-
Ad valorem tax deductions	76,685	76,685	-
Total general government	<u>253,900</u>	<u>253,900</u>	<u>-</u>
Public Safety:			
Personal services:			
Salaries and related benefits	489,869	426,523	63,346
Supplies and materials:			
Office and shop supplies	10,332	10,177	155
Fuel for heavy equipment	11,191	10,352	839
Other services and charges:			
Professional services	115,395	100,481	14,914
Travel and meals	11,866	11,867	(1)
Insurance	50,633	50,663	(30)
Advertising and publication	616	3,831	(3,215)
Postage	2,351	2,351	-
Occupancy	9,200	9,200	-
Utilities	13,886	14,968	(1,082)
Telephone	13,184	12,729	455
Miscellaneous	12,005	12,646	(641)
Repairs and maintenance	65,634	68,409	(2,775)
Capital expenditures:			
Hurricane protection	559,016	447,154	111,862
General operations	9,010	9,709	(699)
Total public safety	<u>1,374,188</u>	<u>1,191,060</u>	<u>183,128</u>
Total expenditures	<u>1,628,088</u>	<u>1,444,960</u>	<u>183,128</u>
Excess of Revenues Over Expenditures	<u>\$ 605,886</u>	<u>\$ 778,628</u>	<u>\$ 172,742</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS**Terrebonne Levee and Conservation District**

June 30, 2001

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Terrebonne Levee and Conservation District (the District) conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of significant accounting policies:

a) Reporting Entity

The District was created on July 1, 1997 by enactment of House Bill No. 1396 Regular Session, 1997 as a political subdivision of the State of Louisiana (the State). The District consists of all lands in Terrebonne Parish. The management and control of the District is vested in a Board of Commissioners (the Board) appointed by the Governor from a list of nominees submitted by local state legislators, local government officials, and civic groups. In addition to any other powers and duties provided by law, the primary duty of the Board shall be to establish, construct, operate, and maintain flood control works as they relate to hurricane protection, tidewater flooding, saltwater intrusion, and conservation. The Board has the authority to issue bonds and levee taxes on all property within the District. Until January 2000, the duties of the District were performed by the Atchafalaya Basin Levee District, the South Terrebonne Parish Tidewater Management and Conservation District, and the North Terrebonne Parish Drainage and Conservation District. In January 2000, the South Terrebonne Parish Tidewater Management and Conservation District and the North Terrebonne Parish Drainage and Conservation District merged into the Terrebonne Levee and Conservation District. In July 2000, the accounts of the South Terrebonne and North Terrebonne districts were combined with those of the District, creating a single entity. Also, because Atchafalaya Basin Levee District continues to provide mainline levee protection which is beneficial to Terrebonne Parish, the District distributes 10% of all ad valorem tax and related state revenue sharing collections to the Atchafalaya Basin Levee District.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Reporting Entity (Continued)

The Governor is responsible for appointing the District's Board of Commissioners, but the State's accountability for the District is limited to making these appointments. The District is legally separate and fiscally independent of the State and other local governments.

The District has reviewed all of its activities and determined that there are no potential component units which should be included in its financial statements.

b) Fund Accounting

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Governmental Funds

Governmental Funds are those through which the governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities are accounted for through Governmental Funds. The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following is the Governmental Fund of the District:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources except those that are required to be accounted for in another fund.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Fund Accounting (Continued)

Account Groups

Account groups are used to establish accounting control and accountability. The District's Account Groups are as follows:

General Fixed Assets Account Group - This account group is used to account for fixed assets not accounted for in proprietary or trust funds.

General Long-Term Obligations Account Group - This account group is used to account for general long-term obligations and certain other liabilities that are not specific liabilities of proprietary or trust funds.

c) Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All Governmental Funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Ad valorem taxes and the related state revenue sharing (Intergovernmental revenues) are recorded as revenue in the period for which levied, thus the 2000 property taxes which are levied to finance expenditures for the 2001 calendar year will be recognized as revenue in the fiscal years ending June 30, 2001 and 2002. Accordingly, approximately one half of the 2000 tax levy is recorded as deferred revenue at June 30, 2001. Miscellaneous revenues are recorded as revenues when received in cash by the District because they are generally not measurable or available until actually received.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for accumulated compensated absences, which are recognized when paid.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

e) Operating Budgetary Data

As required by the Louisiana Revised Statutes 39:1303, the Board of Commissioners (the Board) adopted a budget for the District's General Fund. The budgetary practices include public notice of the proposed budget, public inspection of the proposed budget and a public hearing on the budget prior to adoption. Any amendment involving the transfer of monies from one function to another or increases in expenditures must be approved by the Board. The District amended its budget once during the year ended June 30, 2001. All budgeted amounts which are not expended, or obligated through contracts, lapse at year end. The budget practices of the District are subject to the provisions of R.S. 38:318.

The Statement of Revenues and Expenditures - Budget and Actual - Governmental Fund Type - General Fund is presented on the budgetary basis to provide a comparison of actual results with the budget. The major difference between the GAAP basis and budgetary basis is that:

Revenues from ad valorem tax and the related state revenue sharing and expenditures for ad valorem tax deductions are recognized in the period for which levied, during the calendar year ending December 31, 2001, (GAAP basis). Revenues from ad valorem tax, state revenue sharing and expenditures for ad valorem tax deductions are recognized at the time of levy, during the fiscal year ended June 30, 2001, (budgetary basis).

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The adjustments necessary to convert the results of operations for the year from the GAAP basis to the budgetary basis for the general fund are as follows:

	Excess (Deficiency) of <u>Revenues Over Expenditures</u>
GAAP basis (as reported)	<u>\$ (129,590)</u>
Adjustments:	
Revenues:	
Taxes	884,037
Intergovernmental	<u>62,523</u>
	946,560
Expenditures:	
Current:	
General Government	
Ad valorem tax deductions	<u>(38,342)</u>
Net adjustments	<u>908,218</u>
Budgetary basis	<u>\$ 778,628</u>

f) Accounts Receivable

The financial statements for the District contain no allowance for uncollectible accounts. Uncollectible amounts due for ad valorem taxes are recognized as bad debts at the time information becomes available which would indicate the uncollectibility of the particular receivable. These amounts are not considered to be material in relation to the financial position or operations of the funds.

g) Fixed Assets

Fixed assets used in governmental fund type operations (fixed assets) are accounted for in the General Fixed Assets Account Group rather than in governmental funds. The Account Group is not a fund. It is concerned only with the measurement of financial position.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Fixed Assets (Continued)

It is not involved with the measurement of results of operations. Public domain ("infrastructure") fixed assets consisting of certain improvements other than buildings including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems, are not capitalized along with other fixed assets. No depreciation has been provided on fixed assets.

All fixed assets are valued at historical cost.

h) Compensated Absences

Employees earn and accumulate annual and sick leave at various rates, depending on their years of service. The amount of annual and sick leave that may be accumulated by each employee is unlimited. Upon termination, employees or their heirs are compensated for up to 300 hours of unused annual leave at the employee's hourly rate of pay at the time of termination. Upon retirement, unused annual leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits.

The cost of leave privileges, computed in accordance with GASB Codification Section C60, is recognized as a current year expenditure in the General Fund when leave is actually taken. The cost of leave privileges applicable to general government operations not requiring current resources is recorded in the General Long-Term Obligations Account Group.

i) Long-Term Obligations

Long-term obligations expected to be financed from governmental funds, including compensated absences are accounted for in the General Long-Term Obligations Account Group, not in the governmental funds.

The General Long-Term Obligations Account Group is not a "fund". It is concerned only with the measurement of financial position. It is not involved with the measurement of results of operations.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments are recorded in the fund general ledgers, is not utilized by the District.

k) Memorandum Only - Total Column

The total columns on the general-purpose financial statements are captioned "Memorandum Only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position or results of operations in accordance with accounting principles generally accepted in the United States of America. Interfund eliminations have not been made in the aggregation of this data.

Note 2 - CHANGE IN ACCOUNTING POLICY

The District changed its accounting policy for the recognition of revenues from ad valorem taxes and the related state revenue sharing and expenditures for ad valorem tax deductions for the year ended June 30, 2001. Ad valorem taxes for the 2000 tax roll became due on November 15, 2000 and became delinquent on December 31. These taxes were levied to finance the expenditures for the 2001 calendar year. The taxes levied to finance expenditures for the six months ending December 31, 2001 are reported as deferred revenue and will be recognized as revenue in the fiscal year ending June 30, 2002.

Accordingly, the change in accounting for ad valorem taxes and related state revenue sharing and expenditures for ad valorem tax deductions had the effect of reducing revenue for the year ended June 30, 2001 by \$908,218 for the General Fund. This accounting policy change was made because the 2000 ad valorem taxes are levied to fund the 2001 calendar year expenditures.

Note 3 - ADJUSTMENTS

Errors were made in the prior year in the accounting for ad valorem tax revenue receivable and state reimbursement grants revenue receivable. The errors resulted in receivables and the excess of revenues over expenditures being understated by \$88,077 at June 30, 2000. The District has restated its fund balance at that date to correct the error.

Note 3 - ADJUSTMENTS (Continued)

Fund balance at beginning of year, as previously reported	\$2,340,929
Correction of error in accounting for ad valorem tax revenue receivable	56,862
Correction of error in accounting for state reimbursement grant revenue receivable	<u>31,215</u>
Fund balance at beginning of year, as restated	<u>\$2,429,006</u>

Note 4 - CHANGE IN ACCOUNTING ESTIMATE

During the year ended June 30, 2001, management determined it is probable that the liability for accumulated unpaid compensated absences will be liquidated in future periods with expendable financial resources not currently available. Accordingly, the liability for accumulated unpaid compensated absences, previously reported in the General Fund, is reported in the General Long-Term Obligations Account Group. The effect of this change is a reduction of \$45,031 to personnel service expenditures in the General Fund. See Note 10.

Note 5 - DEPOSITS

Louisiana state law allows all political subdivisions to invest excess funds in obligations of the United States, certificates of deposit of any bank domiciled or having a branch office in the state of Louisiana or any other federally insured investment.

State law also requires deposits (cash and certificates of deposit) of all political subdivisions to be fully collateralized at all times. Acceptable collateralization includes FDIC insurance and the fair value of securities purchased and pledged to the political subdivision. Obligations of the United States, the State of Louisiana and certain political subdivisions are allowed as security for deposits. Obligations furnished as security must be held by the political subdivision or with an unaffiliated bank or trust company for the account of the political subdivision.

Note 5 - DEPOSITS (Continued)

Cash and deposits are categorized into three categories of credit risk.

Category 1 includes deposits covered by federal depository insurance or by collateral held by the District or its agent in the District's name.

Category 2 includes deposits covered by collateral held by the pledging financial institution's trust department or its agent in the District's name.

Category 3 includes deposits covered by collateral held by the pledging financial institution or its trust department or agent but not in the District's name and deposits which are uninsured or uncollateralized.

The year end bank balances of deposits and the carrying amounts as shown on the combined balance sheet are as follows:

	Bank Balances Category			Book Balance
	1	2	3	
Cash	<u>\$107,234</u>	<u>\$ -</u>	<u>\$3,045,398</u>	<u>\$3,106,212</u>

At June 30, 2001, deposits in excess of the FDIC insurance were collateralized by securities held by unaffiliated banks for the account of the District. The Governmental Accounting Standards Board (GASB), which promulgates the standards for accounting and financial reporting for state and local governments, considers these securities uncollateralized. Even though the pledged securities are considered uncollateralized under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the depositor that the fiscal agent has failed to pay deposited funds upon demand.

At June 30, 2001, all of the District's deposits consisted of cash in interest-bearing demand accounts. The District earned approximately \$141,000 in interest on these demand accounts during the year ended June 30, 2001.

Note 6 - PROPERTY TAXES

Property taxes are levied each November 1 on the assessed value listed as of the prior January 1 for all real property, merchandise and movable property located in the Parish. Assessed values are established by the Terrebonne Parish Assessor's Office and the State Tax Commission at percentages of actual value as specified by Louisiana law. A reevaluation of all property is required to be completed no less than every four years. The last reevaluation was completed for the list of January 1, 2000. Taxes are due and payable December 31 with interest being charged on payments after January 1. Taxes can be paid through the tax sale date, which is the last Wednesday in June. Properties for which the taxes have not been paid are sold for the amount of the taxes. The tax rate for the year ended June 30, 2001 was \$4.89 per \$1,000 of assessed valuation on property within Terrebonne Levee and Conservation District for the purpose of acquiring, constructing, maintaining and operating hurricane protection facilities within the District. As indicated in Note 1c), taxes levied November 1, 2000 are used to fund expenditures in calendar year 2001, and one half of the 2000 tax levy will be recognized as revenues in the fiscal years ending June 30, 2001 and 2002, respectively.

The District distributes a percentage of all ad valorem tax and related state revenue sharing collections to the Atchafalaya Basin Levee District in accordance with the requirements of House Bill No. 1396. Expenditures for distributions to the Atchafalaya Basin Levee District totaled \$177,215 during the year ended June 30, 2001.

Note 7 - DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units at June 30, 2001 consisted of the following:

State of Louisiana - Department of Natural Resources	\$32,229
State of Louisiana - Facility Planning and Control	3,960
Terrebonne Parish Tax Collector:	
June, 2001 collections remitted	
to the District in July, 2001 -	
Ad valorem taxes	<u>6,909</u>
Total	<u>\$43,098</u>

Note 8 - CHANGES IN FIXED ASSETS

A summary of changes in fixed assets follows:

	Balance June <u>30, 2000</u>	Additions	Balance June <u>30, 2001</u>
Machinery and equipment	\$ 644,599	\$ 9,709	\$ 654,308
Hurricane protection system	<u>40,000,840</u>	<u>447,154</u>	<u>40,447,994</u>
Totals	<u>\$40,645,439</u>	<u>\$456,863</u>	<u>\$41,102,302</u>

Note 9 - PENSION PLAN

Substantially all employees of the District are members of the Louisiana State Employees Retirement System (the System), a cost-sharing, multiple-employer public employee retirement system. The System is a statewide public retirement system, which is organized for the purpose of providing retirement and other benefits for employees of the State of Louisiana (the State) and its various departments and agencies and their beneficiaries, and is administered and controlled by a separate board of trustees. Contributions of participating State agencies are pooled within the System to fund accrued benefits, with contribution rates approved by the Louisiana Legislature.

All full-time District employees are eligible to participate in the System. Benefits vest with 10 years of service. Vested employees may retire at (a) any age with 30 years of service, (b) age 55 with 25 years of service, or (c) age 60 with 10 of service. The System also provides death and disability benefits. Benefits are established by State statute. The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Louisiana State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804, or by calling (225) 922-0600.

Covered employees are required by State statute to contribute 7.5% of gross salary and the District is required to contribute at an actuarially determined rate. The current rate is 13% of annual covered payroll. The contribution requirements of plan members and the District are established and may be amended by State statute. As provided by R.S. 11:102, the employer contributions are determined by an actuarial valuation and are subject to change each year based on the results of the valuation from the prior fiscal year. Expenditures for contributions to the System for the year ending June 30, 2001 were \$41,273.

Note 10 - LONG-TERM OBLIGATIONS

General long-term obligations consist entirely of accumulated unpaid compensated absences. The following is a summary of the changes in long-term obligations of the District for the year ended June 30, 2001:

Long-term obligations, July 1, 2000, as previously stated	\$ -
Change in accounting estimate, see Note 4	<u>45,031</u>
Long-term obligations, July 1, 2000, as restated	45,031
Net decrease in accumulated unpaid compensated absences	<u>(1,624)</u>
Long-term obligations, June 30, 2001	<u>\$43,407</u>

Note 11 - RISK MANAGEMENT

The District is exposed to various risks of loss related to workers' compensation; torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. No settlements were made during the year that exceeded the District's insurance coverage.

Note 12 - POSTRETIREMENT HOSPITALIZATION

The District provides for the payment of hospitalization premiums for retired employees as approved by the Board. The District will fund the entire premium for all employees retiring with at least ten years service and retiring from the formal retirement systems. The cost of providing these benefits is recognized as an expenditure as premiums are paid. For the year ended June 30, 2001, those costs amounted to approximately \$9,600.

Future liabilities under the District's plan for potentially eligible employees are dependent upon the age and length of service of those employees. The average employee age and service years are not available. At June 30, 2001, the District paid hospitalization premiums for one retired employee at an average monthly premium of approximately \$800.

Note 13 - COMMITMENTS AND CONTINGENCIES

At June 30, 2001, the District is named as a defendant in various legal claims arising in the ordinary course of operations. In the opinion of management, the ultimate resolution of these matters should not materially affect the financial statements of the District.

Note 14 - COMPENSATION OF BOARD MEMBERS

Per diem payments are authorized by Louisiana Revised Statute 38:308 and are included in the personal service expenditures of the General Fund. Board members are paid \$75 per day, to a maximum of 36 days per year, for board meetings and official business.

The following amounts were paid to Board Members for the year ended June 30, 2001:

<u>Board Member</u>	<u>Number of Days</u>	<u>Per Diem</u>
Willis Henry, President	30	\$ 2,250
Donald Chiasson	28	2,100
Walton Daisy	25	1,875
Allan Luke	24	1,800
Thomas Naquin	25	1,875
Skip Pellegrin	29	2,175
Michael Scurto	28	2,100
Gilbert Talbot	27	2,025
Marvin Thibodaux	30	<u>2,250</u>
Total		<u>\$18,450</u>

SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS



Bourgeois Bennett

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF GENERAL-
PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners,
Terrebonne Levee and Conservation District,
Chauvin, Louisiana.

We have audited the general-purpose financial statements of the Terrebonne Levee and Conservation District (the District), as of and for the year ended June 30, 2001, and have issued our report thereon dated August 24, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's general-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being

audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses. However, we noted matters involving the internal control over financial reporting that we have reported to the District in a separate letter dated August 24, 2001.

This report is intended for the information of the Board of Commissioners, management and the Legislative Auditor for the State of Louisiana and is not intended to be and should not be used by any one other than these specified parties.

Bourgeois Bennett, LLC.

Certified Public Accountants.

Houma, La.,
August 24, 2001.

SCHEDULE OF FINDINGS

Terrebonne Levee and Conservation District

For the year ended June 30, 2001

Section I Summary of Auditor's Results

a) Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Reportable condition(s) identified that are not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

b) Federal Awards

Terrebonne Levee and Conservation District did not receive federal awards during the year ended June 30, 2001.

Section II Financial Statement Findings

No financial statement findings were noted during the audit for the year ended June 30, 2001.

Section III Federal Award Findings and Questioned Costs

Not applicable.

REPORTS BY MANAGEMENT

SCHEDULE OF PRIOR YEAR FINDINGS

Terrebonne Levee and Conservation District

For the year ended June 30, 2001

Section I Internal Control and Compliance Material to the General-Purpose Financial Statements

Internal Control

- 00 - 2 **Recommendation** - District's operations should include an adequate segregation of duties and other features of an adequate system of internal control.

Management - Management consulted with a CPA firm implementing those recommendations necessary to correct the condition. Bank statements are mailed directly to a CPA firm, which prepares the bank reconciliation. The bank statements are then reviewed by a Commissioner of the Board before being returned to the District's office. Resolved.

Compliance

- 00 - 1 **Recommendation** - The District should amend its budget when budgeted revenues exceed actual revenues by five percent or more.

Management - The District will monitor the budget more closely and amend when necessary. The District amended its budget once for the year ended June 30, 2001. Resolved.

Section II Internal Control and Compliance Material to Federal Awards

The Terrebonne Levee and Conservation District did not receive federal awards during the year ended June 30, 2000.

Section III Management Letter

A management letter was not issued in connection with the audit for the year ended June 30, 2000.

MANAGEMENT'S CORRECTIVE ACTION PLAN

Terrebonne Levee and Conservation District

For the year ended June 30, 2001

Section I Internal Control and Compliance Material to the General-Purpose Financial Statements

Internal Control

No material weaknesses were noted during the audit of the general-purpose financial statements for the year ended June 30, 2001.

No reportable conditions were reported during the audit of the general-purpose financial statements for the year ended June 30, 2001.

Compliance

No compliance findings material to the general-purpose financial statements were noted during the audit for the year ended June 30, 2001.

Section II Internal Control and Compliance Material to Federal Awards

Terrebonne Levee and Conservation District did not receive federal awards during the year ended June 30, 2000.

Section III Management Letter

- 01 - 1 **Recommendation** - We recommend that the District adopt its budget by an official board resolution. The District should also prepare a budget message to be made available with the budget document for public inspection. The District should submit its budget for review in accordance with R.S. 38:318. Also, the District should monitor its budget periodically throughout the fiscal year and adopt amendments prior to the end of the fiscal year.

Management's Corrective Action - The District will begin to adopt its budget by official board resolution. A budget message will be prepared and made available for public inspection. The budget will be monitored periodically and all amendments will be made prior to the end of the fiscal year. The District will submit its budget for review in accordance with R.S. 38:318.

MANAGEMENT'S CORRECTIVE ACTION PLAN

Terrebonne Levee and Conservation District

For the year ended June 30, 2001

Section III Management Letter (Continued)

- 01 - 2 **Recommendation** - We recommend that surety bonds be purchased and maintained for all officials and commissioners handling funds and with check signing authority.

Management's Corrective Action - The District will investigate the costs and benefits of obtaining surety bond coverage for its employees and board members.

- 01 - 3 **Recommendation** - We recommend the District submit its expenditures and other information to the Terrebonne Parish Consolidated Government and Terrebonne Parish Clerk of Court in order to comply with R.S. 42:283 through 42:286.

Management's Corrective Action - The District will comply with the reporting requirements of R.S. 42:283 through 42:286 as soon as possible.



Bourgeois Bennett

To the Board of Commissioners,
Terrebonne Levee and Conservation District,
Chauvin, Louisiana.

We have audited the general-purpose financial statements of the Terrebonne Levee and Conservation District (the District), as of and for the year ended June 30, 2001, and have issued our report thereon dated August 24, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. In planning and performing our audit, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the general-purpose financial statements and not to provide assurance on internal control.

However, during our audit we became aware of several matters, which represent immaterial opportunities for strengthening internal controls. The memorandum that accompanies this letter summarizes our suggestions and recommendations regarding those matters. We previously reported on the District's internal control in our report dated August 24, 2001. This letter does not affect our report dated August 24, 2001 on the general-purpose financial statements of the District.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and recommendations with the District, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

We graciously thank Mr. Jerome Zeringue and the District staff for their assistance during the audit and their continuing efforts and diligence in managing the operations of the Terrebonne Levee and Conservation District. We look forward to working with them in the future.

Sincerely,

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

Thibodaux, La.,
August 24, 2001.

MANAGEMENT COMMENTS

Terrebonne Levee and Conservation District

For the year ended June 30, 2001

- 01 - 1 **Suggestion** - The District complies substantially with Louisiana state law regarding the preparation, publication, adoption, public inspection, and amendment of its budget; however, the District should comply with other areas of state budgetary law. A budget proposed for consideration by the Board of Commissioners should be accompanied by a proposed budget adoption instrument. A budget document available for public inspection should include a budget message signed by the budget preparer, which should include a summary description of the proposed financial plan, policies, and objectives, assumptions, budgetary basis, and discussion of the most important features. Furthermore, levee districts are required to submit their prospective annual budgets to a state oversight authority each year for review in accordance with R.S. 38:318. Also, we believe good government practices require the District to complete all budget amendments before the end of its fiscal year.

Recommendation - We recommend that the District adopt its budget by an official board resolution. The District should also prepare a budget message to be made available with the budget document for public inspection. The District should submit its budget for review in accordance with R.S. 38:318. Also, the District should monitor its budget periodically throughout the fiscal year and adopt amendments prior to the end of the fiscal year.

- 01 - 2 **Suggestion** - Surety bond coverage should be purchased and maintained for officials receiving or disbursing funds, and all financially responsible commissioners, in accordance with R.S. 33-386.

Recommendation - We recommend that surety bonds be purchased and maintained for all officials and commissioners handling funds and with check signing authority.

- 01 - 3 **Suggestion** - Recently, we were advised by the Legislative Auditor's office various public bodies, including levee districts, are required by R.S. 42:283 through 42:286 to furnish annually to the governing authority and clerk of court a written itemized report showing the expenditures made by their offices. These reports shall include classification and itemization of expenditures including the name and compensation of officials and employees. The annual reports shall be made within thirty days after the close of the fiscal year.

Recommendation - We recommend the District submit its expenditures and other information to the Terrebonne Parish Consolidated Government and Terrebonne Parish Clerk of Court in order to comply with R.S. 42:283 through 42:286.